SaskTel

Financial Statements of

SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN

December 31, 2000

101-04121/

PRICEWATERHOUSECOOPERS

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February 28, 2001

Auditors' Report

**To the Members of the Legislative Assembly,
Province of Saskatchewan**

We have audited the statement of net assets available for benefits of the **Saskatchewan Telecommunications Pension Plan** as at December 31, 2000 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Saskatchewan Telecommunications Pension Plan as at December 31, 2000 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

The prior year's financial statements were audited by another firm of Chartered Accountants who provided their audit report dated March 27, 2000.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and other members of the worldwide PricewaterhouseCoopers organization.

Saskatchewan Telecommunications Pension Plan
Management's Responsibility for
Financial Statements and Auditors' Report

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of the Saskatchewan Telecommunications Pension Plan and all information in the annual report are the responsibility of management and have been approved by the Pension Board. The financial statements necessarily include some amounts that are based on management's best estimates, which have been made using careful judgement.

The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Financial and operating data elsewhere in the annual report are consistent with the information contained in the financial statements.

In fulfilling their responsibilities, management of the Fund has developed and continues to maintain systems of internal accounting controls including written policies and procedures and segregation of duties and responsibilities.

Although no cost effective system of internal controls will prevent or detect all errors and irregularities, these systems are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, transactions are properly recorded and the financial records are reliable for preparing the financial statements.

The Pension Board meets with management and with the internal and external auditors to discuss the results of audit examinations with respect to the adequacy of internal accounting controls and to review and discuss the financial statements and financial reporting matters.

The financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Accountants, who have full access to the Board, with and without the presence of management. Their report follows.

R Stephanson

Randy Stephanson
Chief Financial Officer

Neil Banick

Neil Banick
Administrator, SaskTel Pension Board

March 26, 2001

SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN **STATEMENT 1**

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
AS AT DECEMBER 31, 2000

ASSETS	**2000**	**1999**
	(Thousands of dollars)	
Cash	$ 113	$ 109
Accounts Receivable		
Interest & dividends	629	535
Employer contributions	0	0
Employee contributions	254	290
Miscellaneous	6	6
Accrued bond interest	4,011	2,581
Investments (Schedule 1)	805,971	768,174
Total assets	810,984	771,695
LIABILITIES		
Accounts payable	877	841
Deferred refunds - contributions and interest	2,744	175
Total liabilities	3,621	1,016
NET ASSETS AVAILABLE FOR BENEFITS (Statement 2)	$ 807,363	$ 770,679

Approved by the Pension Board

Lynn Archdekin - Chairperson

Stacey Sandison - Member

Larry Bolster - Member

Randy Stephanson - Member

Raymond King – Member

(See accompanying notes to the financial statements)

SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN **STATEMENT 2**

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2000

INCREASE IN ASSETS	**2000**	**1999**
	(Thousands of dollars)	
Investment income		
Short term	$ 3,432	$ 2,664
Bond and debentures	19,279	16,927
Equities	17,816	11,341
Mortgages	269	277
Real estate	2,428	2,654
Other income	4	0
	43,228	33,863
Current year change in market values of investments	35,100	41,782
Contributions		
Employers'	0	0
Employees'		
Current and back contributions	2,842	3,028
Interest on back contributions	16	1
	2,858	3,029
Total increase in assets	81,186	78,674
DECREASE IN ASSETS		
Refunds and transfers		
Contributions	2,708	178
Interest	3,469	199
	6,177	377
Administration costs	1,830	1,697
Benefits paid to pensioners and beneficiaries	36,495	34,161
Total decrease in assets	44,502	36,235
INCREASE IN NET ASSETS	36,684	42,439
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	770,679	728,240
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	$ 807,363	$ 770,679

(See accompanying notes to the financial statements)

Saskatchewan Telecommunications Pension Plan
Notes to the Financial Statements
December 31, 2000

1. Description of the Plan

The following description of the Saskatchewan Telecommunications Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the Saskatchewan Telecommunications Pension Plan Text.

(a) General

The Plan is a defined benefit plan maintained by Saskatchewan Telecommunications (the corporation) for those employees who were hired prior to October 1, 1977 and who did not elect to transfer to the Public Employees' Pension Plan by October 1, 1978. Effective January 1, 1999 the Plan is governed by the Pension Benefits Act, 1999 (the Act). Prior to January 1, 1999 the Plan was governed by the Saskatchewan Telecommunication Superannuation Act and the Superannuation (Supplementary Provisions) Act. The Plan is registered under The Income Tax Act and The Pensions Benefits Act, 1992, registration #0360891, and is administered by a five person Board appointed by the Corporation and Union.

(b) Investments

Investment managers identified in note 7 have been engaged to invest Plan assets based on guidelines approved by the Board of Trustees. The objective of these investment guidelines is to ensure that the Plan has sufficient assets to meet its future pension obligations and to generate sufficient cash flows to meet the required pension payments as they fall due. The investment guidelines are also designed to minimize interest rate risk and credit risk by ensuring that Plan assets are invested systematically in a diversified portfolio of Canadian and foreign equities and bonds, within the parameters prescribed under The Income Tax Act and The Pensions Benefits Act, 1992. Due to the long-term nature of the pension obligations and related cash flows, investment mix guidelines consider differences in the interest rate sensitivity of the Plan's assets and liabilities.

The Plan's permissible investments include Canadian equities (including rights, warrants, installment receipts and capital shares), U.S. and international equities, bonds of Canadian issuers, short term securities, mortgages and real estate. No other type of investment is permitted without the prior approval of the Board.

1. Description of the Plan (continued)

(c) Funding

The Plan is funded on the basis of actuarial valuations, which are performed at least every three years. The most recent actuarial valuation of the Plan was performed as at December 31, 1998.

Plan members are required to contribute to the Plan a percentage of their pensionable salary. They contribute 7%, 8% or 9% of salary depending on their age at the date of commencement of employment, less contributions to the Canadian Pension Plan.

The financial health of the Plan is guaranteed by the Corporation, who contribute the additional amounts necessary to properly fund payment of benefits to Plan members. Effective May 1996, as a result of the surplus disclosed in Note 5, the corporation has temporarily discontinued making contributions to the Plan.

(d) Benefits

The corporation guarantees the payment of the pension benefits payable under the terms of the pension plan as amended from time to time, including:

i) Service Pensions

The Plan provides a full pension at age 65, at age 60 with at least 20 years of service, or upon completion of 35 years of service. The pension is calculated to be 2% times the average of the highest five years' earnings times the number of years of service up to the maximum allowed in accordance with the Income Tax Act. At age 65 members' pensions are reduced due to integration with the Canada Pension Plan.

A reduced pension may be opted for if certain age and years of service criteria are met.

Plan members may also elect to receive a joint annuity whereby a reduced pension is payable during the life of the member and/or the life of the spouse or dependents. When the plan member dies the spouse is entitled to receive a pension equal to 100% of the reduced pension.

1. Description of the Plan (continued)

If a member retires before age 65, the member may elect a varied allowance, whereby, an additional allowance is received until age 65 at which time the allowance will be reduced.

ii) Health Pensions

The Plan provides for early retirement when a member is permanently incapable, as declared by the Board, of performing his/her regular job duties.

iii) Survivors' Pensions

If a plan member dies after retiring, the surviving spouse receives 60% of the member's pension. Dependants under 18 receive 10%, to a maximum of 25% for all dependants combined.

iv) Death Refunds

A death refund is payable to the estate or designated beneficiary of a superannuate, in an amount equal to the difference between the superannuate's accumulated contributions and interest less the total sum of all allowances paid.

(e) Refunds and Transfers

Upon ceasing employment with the corporation, plan members may elect either to receive a refund of their contributions with earned interest less any withheld income tax or to transfer accumulated contributions and earned interest to a registered retirement savings plan or to a registered retirement pension plan as permitted by the Act. Legislation passed in 1993 allows Plan members, upon ceasing employment, to transfer their contribution with interest, together with a matching company portion to the Public Employees Pension Plan.

(f) Income Taxes

The Plan is a Registered Pension Plan as defined in The Income Tax Act and is not subject to income taxes.

2. Authority

The Plan is continued pursuant to the provisions of the Act. Contributions and investment earnings are accumulated in the pension fund for the purpose of providing pensions to the contributing members of the Plan.

Employees hired by IBM, DirectWest Publishers Ltd. (DirectWest) and Crown Investment Corporation (CIC) continue to participate in the Plan as per the Plan Text.

3. Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. The following policies are considered to be significant:

(a) Basis of Accounting

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the sponsor and plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the Plan or the benefit security of individual Plan members.

(b) Investments

Investments are stated in the financial statements at market value, which approximates fair value. Bonds, debentures and equities are recorded at market values, which are determined with reference to year-end prices from recognized securities dealers. Market values for mortgages are computed using yield to maturity calculations. Real estate investments are valued at market based on independent appraisals. Canadian short-term investments are valued at cost, which approximates market, while US short terms are recorded at market value to reflect fluctuations in the exchange rate. Transactions are recorded as of the trade date.

3. Significant Accounting Policies (continued)

(c) Current Year Change in Market Value of Investments

The change in market value reflects the current year's realized and unrealized gains and losses on investments.

(d) Translation of Foreign Currencies

Transactions conducted in foreign currencies are translated into Canadian dollars using the exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at year-end. Exchange gains and losses arising on the translation of monetary assets and liabilities are included in investment income.

(e) Financial Instruments

The Plan's assets are not invested directly in currency futures, financial futures or other derivatives, and no hedging activities are conducted directly by the Pension Plan. Such derivative instruments are used occasionally with the Emerging Market and Non-North American Funds, which are pooled equity funds, administered by an investment manager with no recourse to the Plan itself.

4. Obligation For Pension Benefits

The present value of accrued benefits was determined using the accrued projected benefit method pro rated on services. An actuarial valuation was performed at December 31, 1998 by AON Consulting, a firm of consulting actuaries, and was then extrapolated to December 31, 1999 and 2000.

Obligations for pension benefits are sensitive to changes in the rate of return on assets, the inflation rate, salary escalation and ad hoc increases. Based upon advice obtained from its actuaries and pension consultant, the Pension Board applies best estimate assumptions on these and other future economic events as described in Note 5. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and apply best estimate assumptions that affect the reported amount of assets and pension liabilities at the date of the financial statements. Actual results could differ from those estimated.

4. Obligation for Pension Benefits (continued)

The estimated actuarial present value of benefits as at December 31 and the principal changes during the year, were as follows:

	2000	1999
	(Thousands of dollars)	
Actuarial present value of accrued pension benefits at beginning of year	$620,033	$587,356
Net experience loss on liabilities from December 31, 1995 to December 31, 1998	-	3,231
Estimated impact of Early Retirement Program	-	10,800
Interest accrued on benefits	44,286	43,167
Current Service Cost	6,254	6,665
Employee Contributions	2,792	2,975
Benefits paid	(36,495)	(34,161)
Accrued pension benefits at end of year (7.25%)	636,870	620,033
Actuarial loss on accrued benefits due to change in discount rate	15,438	-
Actuarial present value of accrued pension benefits at end of year (2000 - 6.6%, 1999 – 7.25%)	652,308	620,033
Net assets available for benefits	807,363	770,151
Surplus	$155,055	$150,118

Change in Accounting Policy

The Corporation adopted the new CICA Handbook accounting recommendations for employee future benefits effective January 1, 2000. The new accounting policies were applied on a prospective basis. The net asset value is reported at fair value. Previously, the actuarial value of net assets was based on a five-year moving-average-market method.

The discount rate used to determine the accrued benefit obligation is determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and the amount of expected benefits payments.

5. Actuarial Valuation

An actuarial valuation is an assessment of the financial status of a pension plan. It consists of the valuation of assets held by the fund and the calculation of the actuarial present value of benefits to be paid under the terms of the plan.

(a) Methodology

The **Accrued Projected Benefit Method Prorated On Services** is used for financial reporting purposes and provides a valuation based on benefits earned to the date of the financial statements only.

The **Ongoing Funding Method**, although not acceptable for financial reporting purposes, provides a valuation that considers benefits earned to-date as well as future benefits to be earned and contributions to be made. It is the method used by the actuary to measure the ability of the Plan to meet current and future obligations to Plan members.

Following is a comparative analysis of the Plan surplus under the two methods:

Method	2000 (Extrapolated)	1999 (Extrapolated)	1998 (Actuarial Valuation)
		(Thousands of dollars)	
Projected Benefit Method	$155,055	$150,118	$122,705
Ongoing Funding Method	$121,711	$ 98,284	$ 67,544

(b) Assumptions for Funding Purposes

Best estimate assumptions, for accounting purposes, are a set of actuarial assumptions each of which reflects management's judgment of the most likely set of conditions affecting future events. Following are the significant best estimate assumptions used in the December 31, 1998 valuation to determine the actuarial value of accrued pension benefits:

Significant Assumption	Valuation as at Dec. 31/98	Valuation as at Dec. 31/95
Rate of Return on Assets	7.25%	7.75%
Inflation	3.25%	4%
Salary Escalation	3% - 1999, 2000 3.25% thereafter	1% - 1996, 1997, 1998 4% after 1998
Ad Hoc Increases	1.95%	2.4%

The mortality rate was applied utilizing the 1983 Group Annuity Mortality Table with mortality improvements projected to the year 2003.

5. Actuarial Valuation (continued)

(c) Assumptions for Accounting Purposes (Due to Adoption of CICA 3461)

The following table illustrates the effect on the Plan surplus of changing certain actuarial assumptions from the estimated rate of return on assets 6.60%, inflation 2.60%, salary escalation 3.00% (2.6% after 2000), and ad hoc increases 1.56%.

	Long - Term Assumptions							
	Rate of Return on Assets		Inflation		Salary Escalation		Ad Hoc Increases	
	5.60%	7.60%	1.60%	3.60%	2.00%	4.00%	0.56%	2.56%
(Thousands of dollars)								
(Decrease) increase in surplus	($91,986)	$74,670	($34,880)	$31,822	$11,407	($12,151)	$57,750	($67,948)

The mortality rate was applied utilizing the 1983 Group Annuity Mortality Table with mortality improvements projected to the year 2003.

The pension liability is long term in nature. There is no ready market for settling the pension obligation and the plan has no intention of settling this obligation in the near term. Therefore, determination of the fair value of the pension liability is not practical.

6. Voluntary Early Retirement Program

The corporation offered a Voluntary Early Retirement Program to its employees for the period January 1, 2000 to December 31, 2002. Three hundred and two members meet the eligibility requirements. A total of one hundred and sixty-three members met the eligibility requirements for the program in 2000. Eighty-seven members accepted the offer and seventy-six members declined the offer in 2000.

7. Administration Costs

The Pension Plan Text permits the Board to engage technical and professional advisers, specialists and consultants for the purposes of managing, investing and disposing of Plan assets, with the related costs to be paid by the Plan. Other direct out of pocket expenses including custodial, investment manager and consulting fees are paid by the Plan. The costs to administer the Plan (staff salaries, actuarial and auditor costs) are also borne by the Plan and are reflected in the accompanying financial statements. The Board has developed, with the assistance of its consultant, specific investment policies and guidelines that the investment managers must adhere to when making investment decisions.

Royal Trust

As the custodian of the pension fund assets, Royal Trust performed the processing and handling of investment transactions.

James P. Marshall, Inc.

The consultant to the Board provided analytical and financial advice.

Greystone Capital Management Inc.
Beutel Goodman & Company Ltd.
Gryphon Investment Counsel Inc.

The investment managers managed the investing and disposing of Plan assets. Greystone has a balanced mandate. Beutel and Gryphon have a specialty Canadian equity mandate and a specialty Canadian bond mandate respectively.

8. Investment Performance

The investment manager makes the day to day decisions of whether to buy or sell specific investments in order to achieve the long-term investment performance objectives set by the Board. It is these long-term investment performance objectives that are used to assess the performance of the investment manager.

The primary long-term investment performance objective for the entire portfolio is to outperform the benchmark portfolio constructed as follows:

Asset Class	Market Index	Weight
Canadian Equities	Toronto Stock Exchange 300 Index	25%
US Equities	Standard & Poors 500 US Stock Index	11%
Non-North American Equities	Morgan Stanley Capital International Europe Australia Far East Index	11%
Real Estate	Russell Canadian Property Index	4%
Bonds	Scotia Capital Markets Universe Bond Index	44%
Short Term Investments	91 Day Canadian Treasury Bills	5%
Total		100%

The Board reviews the investment performance of the Fund in terms of the performance of the benchmark portfolio over rolling 4-year periods. For the four years ending December 31, 2000, the Fund had an annualized gross rate of return of 12.0%. The investment objective for this four-year period (the return of the benchmark portfolio) was 10.9%.

The rate of return generated by the Fund in 2000 was 10.4%, the investment objective was 7.1%.

9. Investments

The Fund has the following investments:

Bonds and Debentures

The Fund's investment policy states that corporate bonds must meet a minimum quality standard of BBB as rated by a recognized credit rating service. BBB rated corporate bonds cannot exceed 9% of the book value of the total portfolio. As at December 31, 2000, the Fund held 0.7% (0.1% - 1999) in BBB Bonds.

Mortgages

Investments in mortgages consist of Canadian commercial property.

Real Estate

Investments in real estate consist of Canadian commercial property.

Equities

Individual holdings are limited, by Fund policy, to a maximum of 10% of the market value of each investment manager's portfolio. At December 31, 2000, 7.2% (10.2% - 1999) was the largest individual holding.

Individual holdings are restricted, by Fund policy, to a maximum of 10% of the common stock in any corporation. At December 31, 2000, 0.5% (5.4% - 1999) was the largest individual holding.

Foreign equities including foreign pooled funds are limited to 25% of the cost of the investment portfolio and are denominated in Canadian dollars. Foreign equities represent 18.97% (12.91% - 1999) of the cost of the Fund.

Pooled Funds

The Fund's pooled funds are comprised of the following: Greystone Non-North American Fund ($65,795,729), Greystone Emerging Markets Fund ($9,478,217) Beutel Goodman Cash Management Fund ($12,813,650) and Beutel Goodman Small Cap Fund ($12,310,577).

9. Investments (continued)

Short Term Investments

Short-term investments are comprised of T-Bills, notes and commercial paper with effective interest rates of 5.5% to 8.3% (4.8% to 5.5% - 1999) and an average term to maturity of 80 (89 - 1999) days. The Fund's investment policy states that investments must meet a minimum investment standard of "R-2" as rated by the recognized credit rating service. Other than the Government of Canada, no single issuer represents more than 14.6% of the market value of the short-term investment portfolio.

10. Related Party Transactions

All Government of Saskatchewan agencies such as departments, corporations, boards and commissions are related since all are controlled by the Government.

The Fund holds an investment in SaskPen Properties Ltd. of $4,201,059. Income and market value adjustment totalled $433,946.

Account balances resulting from the above transactions are included in the statement of net assets available for benefits and are settled on normal trade terms. Other transactions are disclosed separately in these financial statements.

SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN **SCHEDULE 1**

SCHEDULE OF INVESTMENTS
HELD AT DECEMBER 31, 2000

	Market Value (Thousands of dollars)	%	Average Years to Maturity	Weighted Average Yield (%) to Maturity at Market	Weighted Average Coupon Rate %
Government of Canada and federally Guaranteed bonds	$ 251,369	31.19	9	5.96	6.39
Province of Saskatchewan and provincially Guaranteed bonds	3,433	0.42	14	5.80	5.72
Other provinces and Provincially Guaranteed bonds	48,004	5.96	13	6.08	6.17
Corporate bonds	38,939	4.83	10	6.45	6.52
Total bonds	341,745	42.40	12	6.07	6.20
First mortgages	2,166	0.27			
Real estate	32,019	3.97			
Equities					
Canadian	199,343	24.73			
Small Cap Pooled Equity Fund	12,311	1.53			
Foreign	83,831	10.40			
Foreign Pooled Equity Fund	75,274	9.34			
Short term Investments	59,282	7.36			
	$ 805,971	100.00			

SASKATCHEWAN TELECOMMUNICATIONS PENSION PLAN **SCHEDULE 2**

SCHEDULE OF ACCUMULATED NET ASSETS AVAILABLE FOR BENEFITS FOR THE PERIOD FROM MAY 1, 1928 TO DECEMBER 31, 2000

CUMULATIVE REVENUES

(Thousands of dollars)

Earnings on investments and bank balance		$ 584,058
Cumulative change in market value of investments		366,361
Contributions		
Employers'		138,954
Employees' - Active	$ 41,647	
- Retired, deferred	52,784	
- Resigned	14,630	
- Transferred	649	109,710
Early and enhanced retirement adjustments		19,450
Employees' interest on back contributions		725
		1,219,258

CUMULATIVE EXPENDITURES

Payments to superannuates and beneficiaries	383,216	
Refund of employees' contributions	11,682	
Interest on refunded employees' contributions	3,469	
Transfer of contributions	7,098	
Transfer of interest on contributions	6,284	
Supplementary retirement payments to employees not eligible for pension	93	
Death benefit (matching amount)	36	
Interest on employee's savings plan	17	411,895
Net assets available for benefits at market value - December 31, 2000		$ 807,363